MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3 2016/2017

BAC2684 – FINANCIAL STATEMENT ANALYSIS

(All Sections / Groups)

1 JUNE 2017
2.30PM-5.30PM
(3 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of four **(4)** pages with four **(4)** questions.
2. Answer **ALL** questions. The distribution of the marks for each question is given.
3. Please write your answers in the Answer Booklet provided.

QUESTION 1

In April 2016, the Malaysian Accounting Standards Board (MASB) issued MFRS 16 Leases. The standard is applicable for annual periods beginning on and after 1 January 2019. MFRS 16 is equivalent to IFRS 16 Leases as issued by the International Accounting Standards Board.

The main concern on MFRS 16 is to prevent the off-balance sheet reporting. Thus all the leases, regardless on operating lease or finance lease (except for one year operating lease) are required to disclosure as finance lease.

Required:

(a) Define operating lease and finance lease. (6 marks)

(b) Discuss the impact on the Statement of Profit or Loss and other Comprehensives Income and Statement of Financial Position of lessee. (10 marks)

(c) Discuss the impact on the ratio under MFRS16. (6 marks)

(d) Briefly explain on "Off-Balance Sheet". (3 marks)

(Total: 25 marks)

QUESTION 2

Nokia Sdn Bhd
Statement of Profit & Loss for the Year Ended

	December 31, 2016 RM	December 31, 2015 RM
Net sales	50,710	51,058
Cost of sales	33,337	33,781
Research & development expenses	5,968	5,636
Selling and marketing expenses	4,380	4,379
Administrative & general expenses	1,284	1,165
Other income	420	2,312
Other expenses	1,195	424
Share of profit for Associate Company	6	44
Finance cost	2	-
Finance Income	-	239
Tax	1,081	1,522

Required:

a) Prepare a statement of profit and loss, showing a horizontal analysis for 2016, using 2015 as the base year.

(5 marks)

b) Prepare a statement of profit or loss showing a vertical analysis for 2016 and 2015.

(12 marks)

c) Comment on your results based on answer (b).

(8 marks)

(Total: 25 marks)

QUESTION 3

KOPIKO BHD
Statement of Financial Position as at 31 December...

	2016	2015	2014
	RM	RM	RM
Cash	40,000	30,000	28,000
Accounts receivable (net)	60,000	55,000	58,000
Inventories	90,000	85,000	64,000
Investments	65,000	90,000	55,000
Plant and equipment (net)	600,000	470,000	458,000
	855,000	730,000	663,000
Current liabilities	95,000	90,000	80,000
Long-term debt	155,000	95,000	60,000
Common stock, RM10 par	420,000	410,000	400,000
Retained earnings	185,000	135,000	123,000
	855,000	730,000	663,000

KOPIKO BHD
Statement of Comprehensive Income for the year ended 31 December

	2016	2015
	RM	RM
Sales revenue	750,000	610,000
Less: Sales returns	50,000	40,000
Net sales	700,000	570,000
Cost of goods sold	435,000	360,000
Gross profit	265,000	210,000
Operating expenses (including income taxes)	180,000	150,000
Net Income	85,000	60,000

Required:

a) Using the above information, calculate the following ratios for financial year 2015 and 2016.

i. Gross profit ratio
ii. Net profit ratio
iii. Earnings per share
iv. Current ratio
v. Quick ratio
vi. Debt to assets ratio

(12 marks)

b) Based on the ratios calculated, you are required to write a report to the board of directors to discuss the improvement or lack thereof in financial position and operating results of Kopiko Bhd.

(10 marks)

c) List three other ratios that you would want to calculate for this company and explain why you would use each.

(3 marks)

(Total: 25 Marks)

QUESTION 4

Muffin Bhd
Comparative Statement of Financial Position as at 31 December...

	2016	2015
Assets	**RM**	**RM**
Cash	174,800	60,000
Accounts receivable (net)	175,200	210,000
Inventory	360,000	460,000
Prepaid rent	3,000	4,000
Furniture and fixtures	158,000	154,000
Accumulated depreciation – furniture and fixtures	(52,000)	(34,000)
Total assets	819,000	854,000
Liabilities and Stockholders' Equity		
Accounts payable	153,400	210,400
Income taxes payable	2,400	5,400
Notes payable (long-term)	50,000	30,000
Bonds payable	100,000	200,000
Common stock, RM20 par value	240,000	200,000
Additional paid-in capital	181,440	121,440
Retained earnings	91,760	86,760
Total Liabilities and Stockholders' Equity	819,000	854,000

Continued...

Muffin Bhd

Statement of Comprehensive Income for the year ended 31 December 2016

	RM	RM
Sales		1,619,000
Cost of goods sold		1,117,800
Gross profit		501,200
Operating expenses (including depreciation expense of RM56,800)		459,400
Income from operations		41,800
Other income (expenses):		
Gain on sale of furniture and fixtures	8,000	
Interest expense	(24,200)	(16,200)
Income before income taxes		25,600
Income taxes expense		4,600
Net Income		21,000

During 2016, the company engaged in these transactions:

a) Sold at a gain of RM8,000 furniture and fixtures that cost RM45,600, on which it had accumulated depreciation of RM38,800.
b) Purchased furniture and fixtures in the amount of RM49,600.
c) Paid a RM30,000 note payable and borrowed RM50,000 on a new note.
d) Converted bonds payable in the amount of RM100,000 into 4,000 shares of common stock.
e) Declared and paid RM16,000 in cash dividends.

Required:

1. Using the indirect method, prepare a statement of cash flows for Muffin Bhd for the year ended 31 December 2016.

(19 marks)

2. What are the primary reasons for Muffin's large increase in cash from 2015 to 2016, despite its low net income?

(6 marks)

End of Paper